Interpretation of Financial Information

The Deputy Director for Program Management, who also serves as the agency's Chief Financial Officer (CFO), has the responsibility for financial management and related activities at CDC. The Director of CDC's Financial Management Office (FMO) reports to the Deputy Director for Program Management. FMO includes the Accounting, Financial Systems, Legislative, and Budget Branches as well as the Financial Policy and Internal Quality Assurance Activity.

Financial Management and Planning

The Financial Management Office has responsibility for many new and ongoing initiatives, such as developing and implementing accounting and financial policies, systems, and reports; prompt payment; budget formulation and execution; improving reliability of financial information; implementing debt collection; and implementing all financial management legislation including these:

- Prompt Payment Act of 1982,
- Federal Managers Financial Integrity Act (FMFIA) of 1982,
- Chief Financial Officers Act of 1990,
- Cash Management Improvement Act of 1990,
- Government Management and Reform Act of 1994,
- Federal Financial Management Improvement Act of 1996,
- Debt Collection Improvement Act of 1996.

CDC also contributes to HHS' annual Financial Management Status Report and Five Year Plan. That report details the status of and plans for the broad array of financial management initiatives and ongoing work projected in the CDC financial management arena.

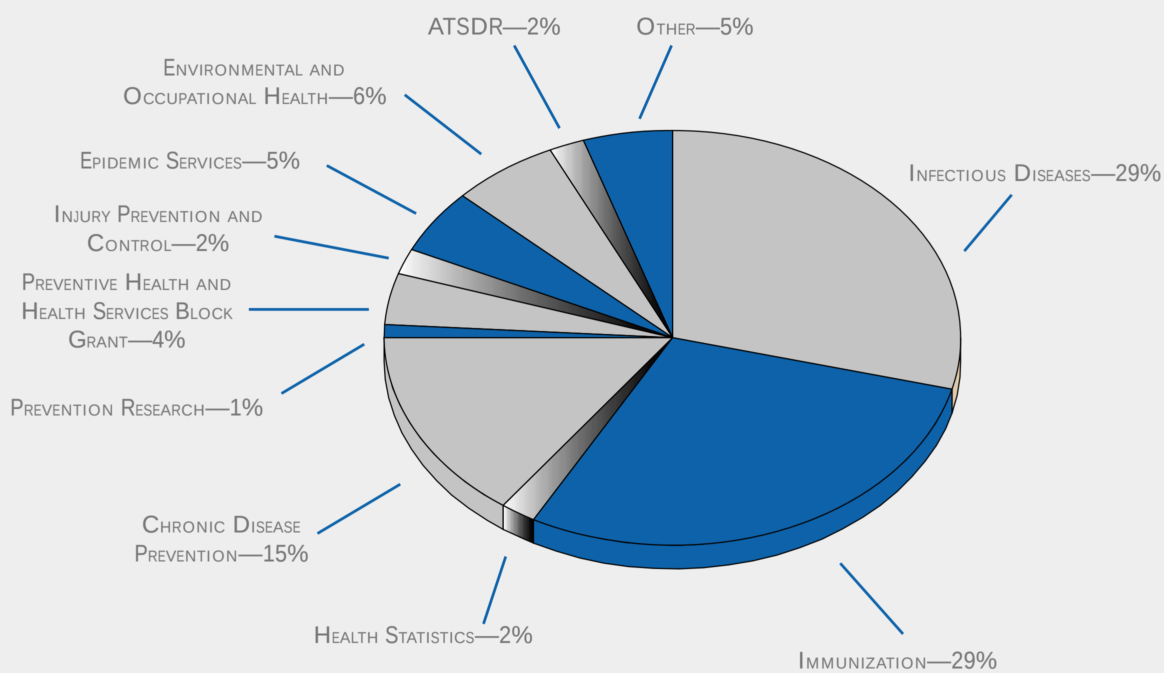
Fiscal Year 2001 Budget

For FY 2001, CDC received a total appropriation of $4.7 billion and ATSDR received a total appropriation of $74.8 million. These appropriations are derived from the following sources:

- annual discretionary appropriations for the annual operation costs of various CDC programs,
- discretionary appropriations for the construction of CDC facilities,
- collections for services provided by various CDC programs,
- allocation transfer from the Centers for Medicare and Medicaid Services.

The following chart displays CDC's FY 2001 budget arrayed by the Government Performance and Results Act (GPRA) programs.

Percentage of CDC Funding by Program Area, FY 2001



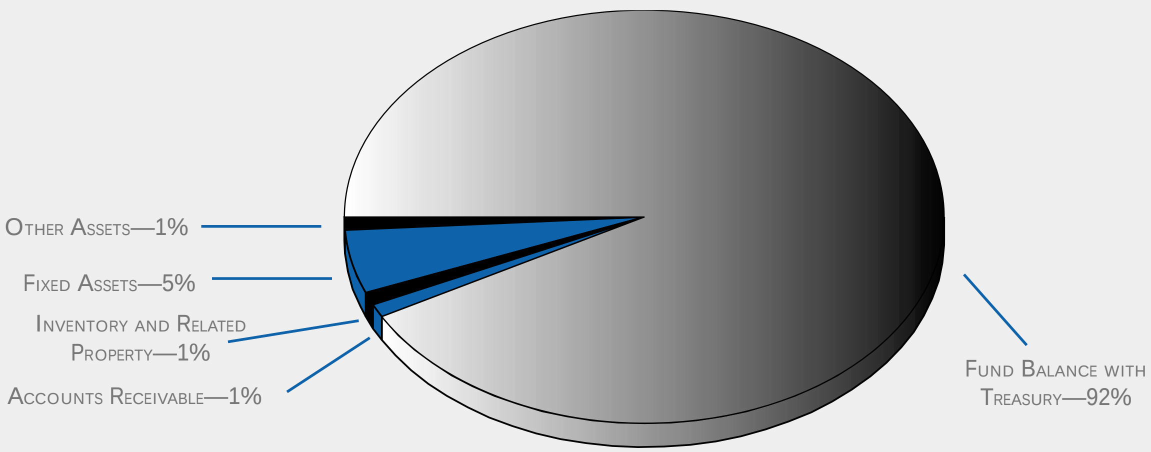
Analysis of Financial Position (Balance Sheet)

Our analysis of the CDC and ATSDR financial statements follows. To simplify the discussion, we have generally discussed the balances for CDC and ATSDR as a consolidated entity.

Assets

CDC had approximately $4 billion in total assets at the end of FY 2001. Fund Balance with Treasury represents the majority of CDC's assets (see following chart). We combined CDC's entity and nonentity assets for analysis because the nonentity portion of CDC's assets is immaterial. These nonentity assets consist mainly of miscellaneous receipts that result from overpayments to vendors, audit disallowances on grants and contracts, and refunds due to the agency from former employees.

CDC Assets, FY 2001



Cash Management and Prompt Payment

The Fund Balance with Treasury, which is the equivalent of "cash in the bank" for the private sector, accounted for 92% of CDC's assets and 91% of ATSDR's assets.

A crucial aspect of managing cash is promptly paying invoices and other payables to minimize the payment of interest and penalties. During FY 2001, CDC paid:

- more than 137,000 invoices valued at $1.5 billion, an increase of 11% over the number of invoices in FY 2000;
- 96% of those invoices on time.

Accounts Receivable

Accounts receivable of $50 million consists primarily of amounts due to CDC under reimbursable agreements or for user fees. Although uncollectible receivables of $114,000 are not a material problem for CDC, efforts to collect those receivables consume a significant amount of staff resources. CDC pursues the standard process of debt collection activities, including aggressive internal follow-up, salary and administrative offset, and referral to the Department of Justice. In addition, to meet the requirements of the Debt Collection Improvement Act of 1996, CDC refers all eligible debts more than 180 days delinquent to a debt management service center that services those debts with the Treasury Offset Program.

Inventory and Related Property

CDC maintains stores of biological products valued at $8.1 million and a stockpile of vaccines valued at $18.5 million. Note 6 provides further information on these components of CDC's asset balances.

General Property, Plant, and Equipment

Property, Plant, and Equipment (PP&E) represents almost $223 million of CDC's assets and $924,000 of ATSDR's assets. CDC's PP&E includes a unique, state-of-the-art laboratory, the headquarters building, several other office and laboratory buildings, and equipment. The PP&E balances for ATSDR consist solely of equipment.

Liabilities

CDC and ATSDR have few liabilities ($508 million) relative to the value of their consolidated assets ($4 billion). CDC's most significant funded liabilities are its accounts payable of $156 million, accrued grant liability of $149 million, and accrued payroll of $40 million.

An accrued grant liability occurs when the year-end grant accrual exceeds advances to grantees outstanding for the year. Accounts payable are primarily for services provided under grants and contracts. Accrued funded payroll is payroll due to employees for services performed in FY 2001 but not paid until the beginning of FY 2002.

Unfunded Liabilities

A noteworthy item in CDC's liabilities is the amount of unfunded liabilities (also called "liabilities not covered by budgetary resources"). These unfunded liabilities are caused by the inherent difference between the way funds are appropriated in the federal budget process and how they are accounted for under accrual accounting requirements.

For FY 2001, CDC's unfunded liabilities totaled $85 million and consisted of annual and compensatory leave liability, capital lease liability, and disability compensation that is accruing for current employees and will require future funding. The federal budget process does not recognize the costs of benefits to be paid in the future to current employees, but instead budgets for those future expenses in the future years when they are actually paid. Consequently, employee expenses (both for the present and future) are recorded in accrual financial statements but are underrepresented in the federal budget.

Net Position

CDC's Net Position (the difference between assets and liabilities on the balance sheet) is broken down into unexpended appropriations and cumulative results of operations. Cumulative results of operations contain the cumulative balances of unfunded expenses and asset purchases.

Analysis of Consolidating Statement of Net Cost

CDC's Consolidating Statement of Net Cost consists of program expenses less the funds earned by those programs under reimbursable agreements or user fee operations. Readers should note that the majority of CDC's programs are funded through appropriations rather than through earnings. Therefore, the net cost for most programs will be the majority of their operating expenses.

Analysis of the Consolidating Statement of Changes in Net Position

The Consolidating Statement of Changes in Net Position begins with net cost, subtracts appropriated capital used, and arrives at one component of the changes in the cumulative results of operations. The difference between net cost and appropriated capital used is unfunded expenses, which includes primarily unfunded annual leave expenses, depreciation, and gains and losses on capital assets. The changes in cumulative results of operations and changes in unexpended appropriations when added to the beginning balance of net position give the current year's ending balance in net position as reported in the balance sheet.

Limitations of Financial Statements

The financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515(b). Although these statements have been prepared from the books and records of the entity in accordance with the formats prescribed by the Office of Management and Budget (OMB), these statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One key implication of this fact is that liabilities cannot be liquidated without legislation that provides the resources to do so.